

David Crocker on Clifford Zinnes's "Harnessing the Power of Incentives (HPI)"

Since I am not an economist, my job is to look at Clifford Zinnes's main claim—that the New Institutional Economics (NIE), through the HPI framework, can improve aid outcomes—and to tease out some of its assumptions.

On the positive side, this approach situates the economic system within a larger framework of institutions, rules and norms, while exploring the relationships between the economic system and that broader framework. Also, by disaggregating between the macro-, meso-, and micro-levels, Zinnes's framework is able to identify and analyze the incentives and behavior of actors with varying positions relative to organizations.

I do have some questions about the approach, though. First, it is unclear to me to what extent, if any, NIE (or HPI) is committed to any fundamental goals regarding what development should do or what development should be. If NIE does have such commitments, Zinnes has not articulated them explicitly in his paper and, it is a worthy topic of inquiry. If NIE is not committed to any goals, why not? Is know-how worth much without know-whether? Isn't it more important to be efficient in doing good than doing evil?

Secondly, the very design of the HPI approach strikes me as hierarchical rather than horizontal. Take, for example, the key concept of principal-agent. This concept, I admit, is confusing to those trained in philosophy. For, philosophers—influenced by Kant on the one hand and Aristotle on the other—have a very different notion of "agency" than is used here. For us, an agent is someone who acts for himself, according to his or her own lights; moral agency is where one does not take another's dictates as to what he should do, but instead each is his own man or her own woman. In contrast, as I understand the principal-agent distinction, the agent in the NIE sense is in some sense a tool, or an instrument—perhaps agreed to by the agent but nevertheless not autonomous. This hierarchy poses various implications for empowerment. It seems to me that in the chain of actors involved in the HPI framework, the beneficiaries do provide some feedback to the aid agencies. Most of the action, however, is imposed upon "beneficiaries" without their input or feedback. In fact, the entire idea of a beneficiary -- as a passive recipient of what other people and agencies do-- poses certain moral problems, if not economic problems as well. So I would like to suggest that instead of basing our analysis on a notion of a passive beneficiary, we emphasize more directly the notions of partner or co-agent (in the Kantian sense of "agent").

Doing so would mean altering the picture of foreign aid as a chain of actors who generate cutting edge development theory in Washington and deliver it through various implementing entities until it reaches the "beneficiaries" in developing countries. Instead, the "recipients" would become agents themselves, in the Kantian sense, and act

on people “higher up” in the chain. Practically, this may imply that World Bank staff should leave the Washington offices to spend time in the field, in villages; it may mean that everywhere up and down the chain, where there is a potential principal-agent relationship, this relationship can also be flattened out in a co-equal way.

Another worrying aspect of the HPI framework is the underlying assumption that human beings relate to one another only and always in terms of strategic action. Here, I refer to Jürgen Habermas’s distinction between strategic and communicative action. Strategic action, of course, is very important for certain kinds of activities, such as a soccer side’s playing to score on its opponent. But there are other types of activities where human beings try 1) to arrive at understanding, and 2) to arrive at some kind of *reasoned consensus* regarding what should occur. It is this dimension of reasoned and principled consensus that seems to be underemphasized in the HPI approach. For example, the principal-agent relations might sometimes be flattened out so that agents and principals can deliberate together to decide on ends and means that neither has good reason to reject.

A third question, regarding the need to harness incentives, has to do with the extent of opportunism. Opportunism, I take it, is when people have their own interests in deviating from the norms of the institution in order to pursue their own individual gain, which can sometimes be at odds with the organization, agency, or project. By harnessing that opportunism, the goals of the unit can be achieved in virtue of (rather than in spite of) human nature. We all need incentives—true. But, perhaps, there is something missing here. Namely: moral commitment (which, I suspect, is less costly than *ex ante* negotiation that attempts to harness opportunism). That is, when we pick people to be in a project, we are interested not only in whether they are self-interested, but also whether they are able to work together in a team, to sacrifice sometimes their own gain for the collective good, to be fair. Moral commitment is important when we select personnel. But it is also important as a part of character formation—from elementary schools all the way through universities. Certainly, Zinnes does address trust briefly. But I suspect that trust—which is closely related to moral incentives and commitment—can be selected for and nurtured in a way that is not directly addressed by this paper.

Finally, I approve with Zinnes’s emphasis on sustainability. Namely, a one-shot deal cannot fully solve development problems, and so a long-term approach is part and parcel of development. Arguably, when democratic deliberation and flattened-out schemes complement the needed hierarchies; when communicative action enables people to engage in the give-and-take of reasons; and when moral incentives correct strategic ones, the prospects for long-term sustainability become much more attainable.